

BILL # HB 2243

SPONSOR: Tobin

PREPARED BY: Juan Beltran

TITLE: enterprise zone credits; qualifying employees

STATUS: As Introduced

FISCAL ANALYSIS

Description

The bill allows employees who did not work in-state for an employer during the prior 12 months and who meet all other requirements for a qualified employment position to qualify their employer for the Arizona Enterprise Zone Tax Credit Program. The bill makes this change effective retroactive to January 1, 2006.

Estimated Impact

The precise impact of this bill cannot be determined in advance. Based on data provided by the Department of Commerce, the bill could reduce corporate income tax revenues by approximately \$(234,000) in FY 2010. This estimate assumes employers claim the credit for all qualifying employees; not all credits earned to date have been claimed by employers.

Analysis

Under current law, the owner of a business located in an Enterprise Zone before July 1, 2011 is eligible for an income tax credit or premium tax credit for net increases in qualified employment positions. A taxpayer may claim up to \$3,000 in tax credits over a 3-year period for each net new qualified job. The amount of the credit cannot exceed \$500 in the first year, \$1,000 in the second year, and \$1,500 in the third year. The maximum claim is 200 net new qualified jobs in any given taxable year.

According to the Department of Commerce, in FY 2008, 203 companies reported that 12,659 employees were eligible for this credit. The Department of Commerce further reports that there is at least one company with 78 employees who may now become eligible for this tax credit. This number, however, is subject to change since it is possible that other companies may have additional employees who would now qualify for this credit. Assuming there are only 78 employees who would now become eligible for this credit, corporate income tax revenue would decrease by \$(234,000) ($78 \times \$3,000$) in FY 2010. This estimate is based on the assumption that these 78 employees have been employed by the taxpayer for at least 3 years and that the taxpayer would amend previous tax returns in order to claim the full 3-year tax credit of \$3,000 per employee in FY 2010.

Local Government Impact

The Urban Revenue Sharing (URS) formula distributes 15% of individual and corporate income taxes collected 2 years prior to incorporated cities and towns. The provisions contained in this bill could decrease the URS distributions to local governments by approximately \$(35,100) in FY 2012.